

# AM03

## Notice of administrator's proposals



Companies House

TUESDAY



A17 \*A7G7FANE\* 09/10/2018 #62  
COMPANIES HOUSE

### 1 Company details

Company number 0 2 9 5 8 4 8 1

Company name in full Discovery Records Limited

→ Filling in this form  
Please complete in typescript or in  
bold black capitals.

### 2 Administrator's name

Full forename(s) Ryan Michael

Surname Davies

### 3 Administrator's address

Building name/number Devonshire House

Street 60 Goswell Road

Post town London

County/Region

Postcode E C 1 M 7 A D

Country

### 4 Administrator's name ①

Full forename(s) Ian

Surname Robert

① Other administrator  
Use this section to tell us about  
another administrator.

### 5 Administrator's address ②

Building name/number Devonshire House

Street 60 Goswell Road

Post town London

County/Region


Postcode E C 1 M 7 A D

Country

② Other administrator  
Use this section to tell us about  
another administrator.

# AM03

## Notice of Administrator's Proposals

6	Statement of proposals	
	<input checked="" type="checkbox"/> I attach a copy of the statement of proposals	
7	Sign and date	
Administrator's Signature	<div>Signature</div> <div>X  X</div>	
Signature date	<div>d 1 d 7</div> <div>m 0 m 1</div> <div>y 2 y 0 y 1 y 8</div>	

# **Joint Administrators' Report and Statement of Proposals Pursuant to Paragraph 49 of Schedule B1**

**Discovery Records Limited – In Administration**

**17 September 2018**

## **DISCOVERY RECORDS LIMITED – IN ADMINISTRATION**

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## DISCOVERY RECORDS LIMITED – IN ADMINISTRATION

### 1 Introduction and Background

- 1.1 Discovery Records Limited ("the Company") was incorporated on 12 August 1994 and its registered number is 02958481. The Company traded in the wholesale of music, including less mainstream and niche genres and soundtracks from premises at A11 Fiveways Industrial Estate, Westwells Road, Corsham, Wiltshire, SN13 9RG ("the Premises") and was supported by three associated companies, Trapeze Music Limited, Trapeze Music & Entertainment Limited and Acrobat Licensing Limited ("Trapeze", "TME" and "Acrobat" respectively and together "the Associated Companies") who handled production of stock and held intellectual property, including licences.
- 1.2 The Company was struggling with cash flow due to the loss of a large customer and a significant bad debt due to the customer entering its own insolvency procedure. The Company also faced legacy costs associated with a move from its previous location to the Premises.
- 1.3 The Company was relying on financial support from Trapeze and was also utilising draw-downs from its secured lending facility to fund on-going trading. This was unsustainable long term and creditor pressure was mounting.
- 1.4 Kingston Smith & Partners LLP were initially engaged by the Company on 13 July 2018 to assist the Director in preparing the Proposals for a Company Voluntary Arrangement ("CVA"), which was to be supported by a third-party funder. Negotiations commenced but on review of more comprehensive financial forecasts, the third-party withdrew their offer and the CVA was no longer viable.
- 1.5 Preserving goodwill in the business was vital and this would only be achieved by a going concern sale in Administration. Goodwill would likely be valueless in a Liquidation scenario, its stock was secured and any value in the Company's chattels would be minimal. In addition, as there was no cash in the business, funds would not be available to support the costs and expenses of a trading period in Administration and it was clear that a pre-packaged sale of the business and assets of the Company would be the best option to maximise value for the benefit of creditors.

#### ***Pre-Packaged Sale***

- 1.6 To facilitate a pre-packaged sale, Ryan Davies and Ian Robert of Kingston Smith & Partners LLP, Devonshire House, 60 Goswell Road, London, EC1M 7AD were appointed Joint Administrators of the Company by the Director on 12 September 2018. The Joint Administrators are licensed to act as insolvency practitioners in the UK by the ICAEW and act jointly and severally in the Administration.
- 1.7 The pre-packaged sale of the Company's business and assets completed on 12 September 2018 to Discovery Music Distribution Limited ("the Purchaser"), and was made under a Sale and Purchase Agreement ("SPA") of the same date. Isadore Goldman Limited ("Isadore Goldman") acted for the Joint Administrators and Gordon Dadds LLP ("Gordon Dadds") acted for the Purchaser. The Joint Administrators sent a letter to creditors on 17 September 2018 to provide further information on the sale pursuant to the requirements of Statement of Insolvency Practice 16 ("the SIP16 Statement").
- 1.8 A copy of this statement can be downloaded from [www.ips-docs.com](http://www.ips-docs.com), using the following details:
- Username: **discoveryrecords**
- Password: **RDD0002**
- 1.9 This Report has been issued at the same time as the SIP16 Statement and both documents should be read in conjunction.

## DISCOVERY RECORDS LIMITED – IN ADMINISTRATION

- 1.10 This firm's Privacy Notice about the way that we will use, and store personal data be found at <https://www.kingston-smith.co.uk/ksplip-gdpr/>. If you are unable to download this, please contact us and a hard copy will be provided to you.
- 1.11 The EU Regulation on Insolvency Proceedings 2000 applies to the Administration. The proceedings are main proceedings as defined by Article 3 of the Regulation. The Company is based in the United Kingdom.
- 1.12 This report incorporates the Joint Administrators' statement of proposals made under paragraph 49 of Schedule B1, which will be treated as delivered to creditors on 19 September 2018.

## 2 Administration Strategy and Objective

- 2.1 The Joint Administrators must perform their functions with the purpose of achieving one of the following objectives:
- *Rescuing the Company as a going concern; or*
  - *Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration); or*
  - *Realising property in order to make a distribution to one or more secured or preferential creditors.*
- 2.2 In this case, the first objective to rescue the Company as a going concern was not possible. The Company's cash flow and position was already untenable and it would not be possible to raise sufficient funds to trade the business in Administration. A CVA with third party funding had already been explored and was not viable and there were no other parties willing to inject the required funding into the existing business to service the long term debt that had built up, totalling c. £900,000.
- 2.3 The Joint Administrators have pursued the second objective, to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up. However, this would only succeed via a pre-packaged sale completed very shortly after the Joint Administrators' appointment.
- 2.4 As detailed in the SIP16 Statement, the Company's assets would have little value on a break-up basis and any goodwill value would be eliminated. Furthermore, a Liquidation would crystallise secured creditor and lease liabilities and all employees' contracts would terminate, adding significant preferential and unsecured claims to the total value of creditors.
- 2.5 Notwithstanding the greater realisation achieved for the Company's goodwill and other assets made for the benefit of creditors, the pre-packaged sale in Administration process has also allowed the Joint Administrators to limit or reduce the large potential liabilities that would arise on winding-up.
- 2.6 The SPA provides that the Company's secured creditors will release their security over the Company to allow assets to be sold uncharged, but will take similar security over the Purchaser to ensure their position is unaffected. Additionally, the Purchaser is currently occupying the Premises under licence from the Company and it is envisaged that the lease will eventually be formally assigned, mitigating the landlord's exposure and reducing any subsequent claim against the Company. Finally, all employees transferred to the Purchaser under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE"), avoiding any preferential or redundancy claims in the Administration.

## DISCOVERY RECORDS LIMITED – IN ADMINISTRATION

### *Progress Since Appointment*

#### Administration (including statutory compliance and reporting)

- 2.7 Following our appointment, the strategy for the Administration was carefully assessed to ensure that a coherent plan could be achieved. This work will, where appropriate, have included liaison with solicitors to deal with any legal considerations surrounding the Company's insolvency.
- 2.8 I have also dealt with a number of statutory formalities which are required of me under related legislation. Typically, this includes issuing and filing all appointment notices with creditors and the Registrar of Companies and also advertising my appointment in the London Gazette.
- 2.9 As a pre-packaged sale of the Company's assets and business has taken place, I have prepared and issued the report on the transaction as required by Statement of Insolvency Practice 16 and I have also prepared and issued these proposals to creditors outlining how the purpose of the Administration may be achieved.
- 2.10 Other statutory duties performed are outlined in further detail in the fees information which can be found at Appendix D. Please note that much of this work will have been performed to comply with statutory requirements and as such may not necessarily add any value to the insolvent estate.

#### Realisation of assets

- 2.11 The business and assets of the Company were sold to the Purchaser for £50,000. Creditors should refer to the SIP16 Statement for further information on the rationale for the transaction, the assets involved and the marketing activity undertaken prior to the Joint Administrators' appointment.
- 2.12 I would confirm that £5,000 was paid on completion and the Purchaser is to pay the remaining consideration in monthly instalments of £7,500 for 6 months, commencing on 10 October 2018. I will liaise with the Purchaser monthly to ensure that the monthly instalments are paid on time and received into the Administration account.
- 2.13 The Company also operated a factoring facility with Easy Invoice Finance Limited. This facility has been transferred to the Purchaser. However, where there is a surplus on this facility arising from book debts owed to the Company prior to the Administration, this will be payable into the Administration estate. The position is still being reconciled but realisations, if any, are not expected to be significant.
- 2.14 The work undertaken by the Joint Administrators and their staff to date in realising the Company's assets has been necessary in order to maximise the likelihood of a return to creditors being made. Where assets remain to be realised, these will be dealt with as the Administration progresses and further updates will be provided to creditors in my progress reports.
- 2.15 Further information on the estimated outcome of the Administration can be found in section 9 below.

#### Creditors

- 2.16 Under the SPA, the Company's secured creditors have released their fixed and floating charges over the Company's assets and taken new security over the Purchaser's assets. Though there will be no secured claims in the Administration, I expect that I will continue to correspond with the Purchaser and its secured creditors throughout the first few months of the Purchaser's trading operations, as and when further information or assistance is required.
- 2.17 It will also be necessary to liaise closely with the landlord for the Premises in relation to on-going rent whilst the Purchaser is in occupation under licence, and also to facilitate the anticipated assignment of the lease to the Purchase in the coming weeks. Once the assignment

## DISCOVERY RECORDS LIMITED – IN ADMINISTRATION

is completed, I will be required to review the landlord's mitigated final claim against the Company.

- 2.18 I would advise creditors that I expect to arrange a formal surrender of the lease for the Company's former trading premises, which it is expected will mitigate their claim in the proceedings.
- 2.19 As all employees transferred to the Purchaser under TUPE, I will not be required to deal with preferential claims or make any submissions to the Redundancy Payments Service. However, the Company's records indicate that there are over 200 unsecured creditors and it is expected that there will be a large amount of claims correspondence and engagement with these creditors

### Investigations

- 2.20 The Joint Administrators are required to investigate the Company's affairs and the Director's management of the business pursuant to Statement of Insolvency Practice 2. This will include a review of the Company's bank statements, books and records and information or concerns raised by creditors. We are also required to make a submission on the Director's conduct to the Department for Business, Energy and Industrial Strategy under the Company Directors Disqualification Act 1986.
- 2.21 These investigations have not yet begun as I am still gathering the relevant information and documents and it is too early to comment on any areas that may require further investigation. Further updates in this area will be provided to creditors in subsequent progress reports.

### ***Sale of Assets to Connected Parties***

- 2.22 In accordance with Statement of Insolvency Practice 13, I would confirm that the business and the following assets of the Company were sold to the Purchaser as part of the pre-packaged sale on 12 September 2018:

Date of transaction	Assets involved & nature of transaction	Consideration paid & date	Sold to	Relationship
12 September 2018	Sale of business and assets including: Commercial Records; Stock; Fixtures & Fittings; Goodwill; Business Contracts; and Intellectual Property	£50,000 total consideration - £5,000 paid on completion followed by monthly instalments of £7,500, commencing on 10 October 2018 and continuing for 6 months	Discovery Music Distribution Limited	Company connected by virtue of common Director and Ultimate Beneficial Owner

- 2.23 Further information in relation to the pre-packaged sale can be found in the SIP16 Statement.

## **3 Joint Administrators' Receipts and Payments**

- 3.1 A summary of receipts and payments for the Administration period from the date of our appointment to is attached at Appendix B.

## **4 Financial Position**

- 4.1 A Statement of the Company's Affairs has not yet been received as there has been insufficient time to prepare a full Statement of Affairs given the brief period that has elapsed since appointment. Attached at Appendix C is a summary of the Estimated Financial Position of the Company as at 12 September 2018 together with a list of creditors' names and addresses



## DISCOVERY RECORDS LIMITED – IN ADMINISTRATION

along with details of their debts (including details of any security held by them) Creditors should note that the estimated financial position is before the costs of the Administration procedure are considered.

### 5 Proposals

- 5.1 *It is proposed that the Administrators will continue to manage the affairs of the Company in order to achieve the objective of the Administration. In the circumstances it is proposed that:*
- 5.2 As the survival of the existing Company is not viable, the Joint Administrators will pursue the second objective and if appropriate take any action he considers necessary to ensure all consideration is received and all other aspects of the SPA are implemented following the pre-packaged sale of the business and assets of the Company as a going concern.
- 5.3 If, having realised the assets of the Company the Joint Administrators think that a dividend will be made to the unsecured creditors, they propose filing a notice with the Registrar of Companies which will have the effect of bringing the appointment of the Administrators to an end and will move the Company automatically into Creditors' Voluntary Liquidation ("CVL") in order that the dividend can be made. In these circumstances, it is proposed that the Joint Administrators in office at the date of conversion to CVL will become the Joint Liquidators in the CVL and the Joint Liquidators will act jointly and severally in the Liquidation.
- 5.4 If the Joint Administrators think that the Company has no property which might permit a dividend to its creditors, they will file a notice with the Court and the Registrar of Companies for the dissolution of the Company.
- 5.5 See Section 6 below on **Exit Routes** for further information on the exit routes available from Administration.
- 5.6 The Joint Administrators shall do all such other things and generally exercise all of their powers as contained in Schedule 1 of the Insolvency Act 1986, as they consider desirable or expedient to achieve the statutory purpose of the Administration.
- 5.7 If the Joint Administrators consider it necessary to extend the period of the Administration, they will seek the consent of creditors or the approval of the Court to the extension. Creditors may consent to an extension for a period of up to one year and the Court can order that the Joint Administrators' term of office be extended for a specified period determined by it.
- 5.8 The creditors consider establishing a Creditors' Committee and that if any such Committee is formed they be authorised to sanction the basis of the Joint Administrators' remuneration and disbursements and any proposed act on the part of the Joint Administrators without the need to report back to creditors generally, to include any decision regarding the most appropriate exit route from the Administration.
- 5.9 The basis of the Joint Administrators' remuneration may be fixed as one or more of the following bases and different bases may be fixed in respect of different things done by them:
- As a percentage of the value of the assets they have to deal with, or
  - By reference to time properly spent by the Joint Administrators and their staff managing the Administration, or
  - As a set amount.
- 5.10 In accordance with Statement of Insolvency Practice 9, issued by the Association of Business Recovery Professionals, the Joint Administrators be authorised to draw Category 2 disbursements as and when funds are available, in accordance with their firm's published tariff Details of Category 2 disbursements charged by the firm can be found at Appendix D.

## DISCOVERY RECORDS LIMITED – IN ADMINISTRATION

- 5.11 Where no Creditors' Committee is appointed the remuneration and disbursements of the Joint Administrators shall be fixed by a decision of creditors. The Joint Administrators will also seek approval for any unpaid pre-administration costs detailed in this report and their discharge from liability in the same manner.

- 5.12 In this case, the Joint Administrators are seeking to approve the basis of their remuneration as follows:

- By reference to the time properly spent by the Joint Administrators and their staff in attending to matters arising in the Administration

Further details about the proposed fee basis can be found in Section 8 below and Appendix D.

- 5.13 The Joint Administrators will be discharged from liability under Paragraph 98 of Schedule B1 to the Insolvency Act 1986 immediately upon their appointment as Joint Administrators ceasing to have effect.

## 6 Exit Routes

- 6.1 All Administrations automatically come to an end after the period of one year, unless the Company's creditors agree to extend this period, or the Court orders the Joint Administrators' term of office be extended for a specified period of time.

- 6.2 At the time of drafting these Proposals I do not believe that an extension to the period of Administration will be necessary, however I will confirm the position to creditors in a subsequent progress report in due course.

- 6.3 Based on information currently available, the information on the exit route(s) we believe may be appropriate in this Administration are set out below.

### ***Creditors' Voluntary Liquidation***

- 6.4 Based on present information, the Joint Administrators think a dividend may be paid to the unsecured creditors. As a result, the Joint Administrators will either make an application to Court to enable them to make a distribution to unsecured creditors in the Administration or they will file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into to CVL facilitate this distribution. It is proposed that the Administrators in office at the date of conversion to CVL will become the Joint Liquidators of the CVL.

- 6.5 It is proposed that the Joint Liquidators will be authorised to act jointly and severally in the subsequent liquidation.

- 6.6 Creditors have the right to nominate an alternative liquidator of their choice. To do this, creditors must make their nomination in writing to the Joint Administrators prior to these proposals being approved. Where this occurs, the Joint Administrators will advise creditors and provide the opportunity to vote. In the absence of a nomination, the Joint Administrators will automatically become the Joint Liquidators of the subsequent CVL.

### ***Dissolution of the Company***

- 6.7 If the Joint Administrators think that the Company has insufficient property to permit a distribution to the unsecured creditors, a notice will be filed at Court and with the Registrar of Companies with the Joint Administrators' Final Report, for the dissolution of the Company.

- 6.8 The Joint Administrators' appointment will end following the registration of the notice by the Registrar of Companies.

***Compulsory Liquidation***

- 6.9 If a move to CVL is not possible because a dividend to the unsecured creditors is not anticipated, but the Joint Administrators conclude that an exit into liquidation is appropriate so that further investigations into the Company's affairs may be carried out for example, an application to Court may be made to exit into Compulsory Liquidation instead. If this exit route is appropriate, at this stage it is anticipated (but is not mandatory) that the Joint Administrators will become the Joint Liquidators in the subsequent liquidation

**7 Pre-administration Costs**

- 7.1 Pre-administration costs are defined as:

- (i) Fees charged, and
- (ii) Expenses incurred

by the Joint Administrators, or another person qualified to act as an insolvency practitioner before the company entered Administration (but with a view to its doing so), and "unpaid pre-administration costs" are pre-administration costs which had not been paid when the Company entered Administration.

- 7.2 Below is information on the pre-administration costs incurred in this case, together with details of any amounts which remain unpaid, where applicable. Further information on the pre-appointment work undertaken to comply with SIP16 requirements can be found in the SIP16 Statement.
- 7.3 The pre-appointed costs were approved by the Company in line with Kingston Smith & Partners LLP's engagement letter in relation to the Administration, dated 16 August 2018. The engagement terms provided for a set amount of £16,667 plus VAT to cover the costs of Kingston Smith & Partners LLP, Isadore Goldman and valuation agents Lambert Smith Hampton ("LSH") in preparing the Company for Administration and arranging the pre-packaged sale.
- 7.4 Kingston Smith & Partners LLP were necessarily involved in pre-appointment advice to the Company in relation to the Administration, and were required at all stages of preparing the pre-packaged sale of the business and assets of the Company to the Purchaser. This included liaison with the Director to gather financial information; correspondence with major creditors; liaising with LSH to market the business; negotiating with the Purchaser; and discussing and amending the SPA in conjunction with Isadore Goldman.
- 7.5 LSH attended the Premises to value the Company's assets, prepared marketing collateral and advertised the business for sale. LSH dealt with 6 interested parties before reviewing the offer from the Purchaser and recommending its acceptance. The marketing activity undertaken by LSH is set out in more detail in the SIP16 Statement.
- 7.6 Isadore Goldman drafted the SPA and dealt with several amendments in co-operation with the Purchaser. This also included correspondence with secured creditors for the appropriate Deeds of Release, and preparing the Licence to Occupy and collating other schedules appended to the SPA. *Isadore Goldman also prepared the statutory board minutes and forms required to effect the Joint Administrators' appointment.*
- 7.7 The set amount of £16,667 plus VAT was paid by TME and apportioned as appropriate. However, Kingston Smith & Partners LLP's pre-appointment costs were in excess of the amount agreed (after LSH and Isadore Goldman were paid in full) as shown in the table below.

## DISCOVERY RECORDS LIMITED – IN ADMINISTRATION

Charged by	Brief description of services provided	Total amount charged £	Amount paid £	Who payments made by	Amount unpaid £
Kingston Smith & Partners LLP	Pre-appointment advice to the Company & negotiation of the pre-packaged sale	£10,215 plus VAT	£5,000 plus VAT	Trapeze Music & Entertainment Limited	£5,215 plus VAT
Lambert Smith Hampton	Valuation of assets, marketing the business and assets of the Company and dealing with the pre-packaged sale	£6,026 plus VAT	£6,026 plus VAT	Trapeze Music & Entertainment Limited	Nil
Isadore Goldman	Dealing with appointment documents, the SPA and ancillary documents	£10,010 plus VAT	£5,641 plus VAT	Trapeze Music & Entertainment Limited	£4,369 plus VAT

- 7.8 The payment of the unpaid pre-administration costs set out above as an expense of the Administration is subject to the approval of creditors, separately to the approval of the Joint Administrators' proposals. This approval will be the responsibility of the Creditors' Committee if one is appointed or alternatively by a decision of the creditors where there is no Committee.

## 8 Joint Administrators' Remuneration

- 8.1 As Joint Administrators, we are required to provide creditors with details of the work we propose to undertake in the Administration and the expenses we consider will be, or is likely to be, incurred in dealing with the Company's affairs, prior to determining the basis upon which my remuneration will be fixed.
- 8.2 In addition to this, where the Joint Administrators seek agreement to the basis of their remuneration by reference to time properly spent by them and their staff in attending to matters arising in the Administration, a fees estimate outlining the time and estimated cost of the work to be done must also be provided.
- 8.3 In this case, we are seeking to agree that our remuneration be based on the time properly spent by us and our staff in dealing with the affairs of the Company. Our fees estimate and details of the work we propose to undertake in the Administration can be found at Appendix D and further information on the work done since my appointment to the date of this report can be found in section 2.
- 8.4 Please note that where appropriate, the fees estimate may be to a particular stage of the case only and if we consider the estimate will be exceeded during the Administration, we are obliged to seek further approval for any increase in our remuneration. The fees estimate provides details of these matters where relevant and appropriate approval to the basis of our remuneration will be sought as outlined in section 5 of this report.
- 8.5 As only days have passed since the Joint Administrators' appointment, it is not possible to include a time matrix outlining the time spent by us and our staff since the date of appointment, as time recording software is updated weekly. However, for the avoidance of doubt, post appointment time spent to date totals £3,717, which mostly comprises time incurred in finalising the pre-packaged sale, preparing the SIP16 Statement and these Proposals. This time is included within the overall fees estimate provided with this report.
- 8.6 We will provide updates on the expenses we consider will be, or are likely to be, incurred during this case with our progress reports in due course.
- 8.7 The Joint Administrators may include details of the remuneration they anticipate will be charged and the expenses they anticipate will be incurred if they become the Joint Liquidators in the subsequent CVL. This can be done when seeking approval to the basis of their remuneration as Joint Administrators, or alternatively their fees estimate for the CVL can be provided once

## DISCOVERY RECORDS LIMITED – IN ADMINISTRATION

the Company has moved into CVL. Please refer to Appendix D to this report for further information.

- 8.8 A copy of "A Creditors' Guide to Administrators' Fees" is available on request or can be downloaded from [www.ks.co.uk/creditors-guides-fees/](http://www.ks.co.uk/creditors-guides-fees/). If you would prefer this to be sent to you in hard copy please contact Evan Jones of this office on 0207 566 4020.

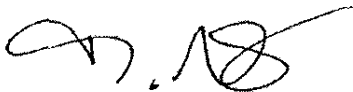
### 9 Estimated Outcome

- 9.1 An estimate of the outcome of the Administration as at 17 September 2018 is attached as Appendix E.
- 9.2 Based on the Estimated Financial Position of the Company attached to this report, the estimated value of the preferential creditors is £nil and the unsecured creditors is £921,423.
- 9.3 It appears from these figures that there may be sufficient funds to allow a small dividend to unsecured creditors, though this is likely to be less than 3 pence in the pound.

### 10 Proposals approval and next report

- 10.1 I am seeking a decision of creditors on the approval of these proposals by deemed consent. The letter issued to creditors on 17 September 2018 contains further information about this decision process.
- 10.2 The Joint Administrators are required to provide a progress report within one month of the end of the first six months of the Administration and we will report to you again at this time.

Yours faithfully  
For and on behalf of  
Discovery Records Limited



**IAN ROBERT**  
Joint Administrator

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# DISCOVERY RECORDS LIMITED – IN ADMINISTRATION

## Appendix A

### Statutory Information

#### 1 Company information

Company name	Discovery Records Limited
Registered number	02958481
Registered office address	Devonshire House, 60 Goswell Road, London, EC1M 7AD
Former registered office address	A11 Fiveways Industrial Estate, Westwells Road, Corsham, Wiltshire SN13 9RG
Trading address(s)	A11 Fiveways Industrial Estate, Westwells Road, Corsham, Wiltshire SN13 9RG
Court details	High Court of Justice
Court reference number	7414 of 2018

#### 2 Details of the Company's Directors, Secretary and Shareholdings

Directors (last 3 years)	Date appointed	Date resigned	Shares held
Howard John Cooper	15 April 2015	-	None (Ultimate Beneficial Owner)
Martin Timothy Cobb	20 January 1999	1 August 2016	None

#### 3 Joint Administrators' Details

Names of Joint Administrators	Ryan Davies	Ian Robert
Address	Devonshire House, 60 Goswell, Road, London, EC1M 7AD	Devonshire House, 60 Goswell Road, London, EC1M 7AD
Telephone Number	020 7566 4020	020 7566 4020
Fax Number	020 7566 4021	020 7566 4021
Joint Administrator's IP Number	15250	8706
Authorising Body	ICAEW	ICAEW
Date of Appointment	12 September 2018	12 September 2018

**DISCOVERY RECORDS LIMITED – IN ADMINISTRATION**

**Appendix B**

**Receipts and Payments Account for the Period from 12 September 2018 to 17 September 2018**

Discovery Records Limited  
(In Administration)

Joint Administrators' Summary of Receipts and Payments  
To 17 September 2018

RECEIPTS	Statement of Affairs (£)	Total (£)
Sale of Business and Assets	50,000.00	5,000.00
Book Debts	Uncertain	0.00
		<hr/>
		5,000.00
		<hr/>
<b>PAYMENTS</b>		
Trade & Expense Creditors	(1,145,552.49)	0.00
		<hr/>
		0.00
Net Receipts/(Payments)		5,000.00
		<hr/>
		<hr/>
 MADE UP AS FOLLOWS		
Bank 1 Current Metro Bank		5,000.00
		<hr/>
		5,000.00
		<hr/>
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## DISCOVERY RECORDS LIMITED – IN ADMINISTRATION

### Appendix C

#### Summary of the Estimated Financial Position of the Company as at 17 September 2018

Discovery Records Limited

Estimated Financial Position of the Company as at 12 September 2018

	<u>Notes</u>	<u>Book Value £</u>	<u>Estimated to Realise £</u>
<b>Assets Subject to Fixed Charge</b>			
Stock	1	108,205	nil
Book Debts	1	71,627	nil
Less: Amounts due to Regency Companies	1	(275,000)	nil
<b>Assets Subject to Floating Charge</b>			
Fixtures & Fittings		4,700	uncertain
Goodwill		uncertain	uncertain
<b>Uncharged Assets</b>			
Non-factored Book Debts		uncertain	uncertain
Sale of Business		nil	50,000
<b>Surplus available to Preferential Creditors</b>		<b>4,700</b>	<b>50,000</b>
Preferential Creditors		(5,000)	nil
<b>Surplus/Deficit Available to Floating Charge Holders</b>		<b>(300)</b>	<b>50,000</b>
Shortfall to Regency Companies under floating charge (b/d)		(95,168)	nil
<b>Estimated Deficiency after Floating Charges</b>		<b>(95,168)</b>	<b>50,000</b>
<b>Total assets available to Unsecured Creditors</b>		<b>Nil</b>	<b>50,000</b>
<b>Unsecured Creditors</b>			
Associated Companies	(324,983) 2		
Trade and expense creditors	(788,117)		
HM Revenue & Customs	(32,452)		
		(1,145,552)	(1,145,552)
<b>Estimated Deficiency with regard to Unsecured Claims</b>		<b>(1,145,552)</b>	<b>(1,095,552)</b>
Deficiency to Floating Charge Holders		(95,168)	nil
<b>Estimated Deficiency to Creditors</b>		<b>(1,240,720)</b>	<b>(1,095,552)</b>
Share Capital		(166,668)	(166,668)
<b>Estimated Deficiency as regards shareholders</b>		<b>(1,407,388)</b>	<b>(1,262,220)</b>

Notes:

- 1 Cavendish Investments (Manchester) Limited have a fixed charge over this stock and Easy Invoice Finance Limited have a fixed charge over the Company's book debt ledger pursuant to an invoice finance agreement. These are both part of the Regency Group.
- 2 Reconciled balances due to Trapeze Music & Entertainment Limited and Acrobat Licensing Limited.

**Kingston Smith & Partners LLP**  
**Discovery Records Limited**  
**B - Company Creditors**

Key	Name	Address	£
CA00	A Train	401 Grand Avenue, Suite 300, Oakland, CA94610, United States	505.08
CA01	Absolute Music	C/ Puigcerda, no 124, 08019 Barcelona, SPAIN	4,235.86
CA02	Acoustic Music	Arndtstr.20, 49080 Osnabruck, GERMANY	2,735.65
CA03	Active Media Distribution	54 Rue St. Lazare, 75009 Paris, FRANCE	0.00
CA04	Alarms & Electrical Ltd	Units 2 - Plot 1A, Hopton Industrial Estate, Devizes, SN10 2EU	714.00
CA05	Alba Records / Uttamon Aanite Oy	Rustholinrinne 1, FI-20880 Turku, FINLAND	1,802.95
CA06	Albore Jazz	14-19, Hirata 1, Suzuka, Mie, 513-0844, JAPAN	183.26
CA07	Alexander Hawkins Music	3 Church Walk, Radley, Abingdon, OX14 2HW	59.00
CA08	Altafonte	Calle Hierro, 33-28045 Madrid, Spain, ES A81904690, SPAIN	131.61
CA09	Amare Classics	44 Victoria Road, St. Austell, Cornwall, PL25 4QD	6.76
CA0A	Anglo Atlantic Media Ltd.	Office Suite 2, Shrieves Walk, Stratford on Avon, CV37 9GJ	33,104.13
CA0B	Anthem Publishing	Suite 6, Piccadilly House, London Road, Bath, BA1 6PL	0.00
CA0C	Arbiter	153-20 33rd Ave, Flushing, New York, 11354-3312, UNITED STATES	184.76
CA0D	Arbors Records	51 S. Main Avenue, Suite 301, Clearwater, Florida 33765, UNITED STATES	4,397.61
CA0E	Arts In Fusion	18 Doughty Street, Stamford, Stamford, Lincs, PE9 1UT	65.52
CA0F	Astar Artes Recordings	Dattins, Harbertonford, Devon, TQ9 7ST	26.40
CB00	Baithak Records	10 Belsize Lane, London, NW3 5AB	0.00
CB01	Bauer Studios GmbH	Markgroninger Str. 46, DE-71634 Ludwigsburg, GERMANY	810.39
CB02	Belgische Filmmuziek Society	Kon. Astridlaan 171, 2800 Mechelen, Belgium, VAT BE 0426 533 150, BELGIUM	2,686.10
CB03	BFM Jazz	12650 Riverside Drive #203, 91607 Valley Village, Los Angeles, USA, United States	905.50
CB04	BGS Records	Music Base, Kings Place, 90 York Way, London, N1 9AG	0.00
CB05	Bilarm Music	J97 / 21 Hall Street, Fisherman's Bend, Port Melbourne, Victoria, Australia 3207	363.83
CB06	Blackbird Music	Salzufer 15-16, 10587 Berlin	223.33
CB07	Bleepmachine	50 rue du Faubourg du Temple, 75011 Paris, VAT FR34481400208	43.01
CB08	Blissful Records	Botternell Mill, North Hill, Launceston, Cornwall, PL15 7NS	636.00
CB09	Border Music	Gamlestadvagen 1, 41502 Goteborg, Sweden, (VAT SE 556223656101), SWEDEN	1,323.86
CB0A	Boston Modern Orchestra Project	376 Washington Street, Suite 101, Malden, MA 02148, USA	1,378.80
CB0B	Brechin All Records	16/2 Panmure Place, Tollcross, Edinburgh, EH3 9JJ	0.00
CB0C	British Gas Acc 600988342 Old Unit		0.00
CB0D	British Home Entertainment	5 Broadwater Road, Walton on Thames, Surrey, KT12 5DB	0.00

**Kingston Smith & Partners LLP**  
**Discovery Records Limited**  
**B - Company Creditors**

Key	Name	Address	£
CB0E	Brooks Packaging Limited		0 00
CB0F	Buda Musique	23 rue Pierre et Marie Curie, 94200 Ivry sur Seine, France	6,831 45
CB0G	Budapest Music Centre	Matyas u. 8., H-1093 Budapest, Hungary, VAT HU12386271	259 83
CC00	Cadillac Music & Publishing	48 Longton Grove, London, SE26 6QE	431 50
CC01	Campack Ltd.	Unit 2, Bumpers Way, Bumpers Farm Industrial Estate, Chippenham, SN14 6LH	507.02
CC02	Canyon Records	1761 West University Drive, Suite 145, Tempe, AZ85281 - 3220, USA	628.62
CC03	Celestial Harmonies	Mayflower Music Corp, PO Box 30122, Tucson, Arizona, ARIZONA, 30122	2,050 73
CC04	Choux de Bruxelles	Rue G.Schildknechtstraat 33/3, Bruxelles 1020, BELGIUM	31 47
CC05	Claves	85 av du General-Guisan, CH-1009 Pully, SWITZERLAND	7,741.69
CC06	Col Legno	Schönlaterngasse 5/3, 1010 Wien, Austria, ATU38362204	137 69
CC07	Concordia	Unit 7 Avon Riverside, Victoria Road, Avonmouth, Bristol, BS11 9BD	1,263 31
CC08	Crown Gas & Power	Bury New Road, Heap Bridge, Bury, BL9 7HY, UNITED KINGDOM	2 09
CC09	Crystal Cleaning Solutions	Rear of Fire Station, Malpas Road, Newport, Gwent, NP20 5PP	91 90
CC0A	Cubrik	Unit 228, Kingspark Business Centre, 152-178 Kingston Road, New Malden, KT3 3ST	178.00
CC0B	Cypres	Rue d'Alost, 7, (Centre Dansaert), Brussels, Belgium	275 28
CD00	Danaccord	Vognmagergade 9, DK-1120 Copenhagen K, Denmark, (VAT DK 72911016)	1,671 98
CD01	Delmark Records	4121 N. Rockwell, Chicago IL 60618	9,870 67
CD02	DiscMedi	Ronda del Guinardo 59 bis, 08024 Barcelona	3,163 48
CD03	DiscorD Distribution Ltd.	PO Box 50, Tunbridge Wells, TN4 8YD	2,943.75
CD04	Discovery Music & Vision	, PO Box 1283, High Wycombe, Buckinghamshire, HP15 6YF	403 58
CD05	Diving Duck	55 Ashfield Road, Southgate, London, N14 7LA	218 83
CD06	Dixiefrog	9 rue de la Marquette, 02600 Retheuil	7,856 17
CD07	Dom Disques	14 rue Jules Vanzuppe, 94200 Ivry-sur-Seine, France, FR 74712060854	421 97
CD08	Doremi	122 Alfred Avenue, Willowdale, Ontario, Canada	1,771 25
CD09	Dot Time Records	666 Shore Road, Suite 4F, Long Beach NY, USA	465 26
CD0A	Dpd Group Uk	15th Floor, Castlemead, Lower Castle Road, Bristol, BS1 3AG	423 94
CD0B	Dr. Peter Seabourne	Manor Barn, Fen Road, East Kirby, Spilsby, PE23 4DB	38 88
CD0C	Duplo International Limited	Automated Precision House, Hamm Moor Lane, Addlestone, Surrey, KT15 2SD	204 90
CE00	E ON Old Unit	PO Box 123, Nottingham, NG1 6HD	0 00
CE01	Editions Saravah	36 rue de l'église, 85 500 LES HERBIERS, FRANCE	13 06

**Kingston Smith & Partners LLP**  
**Discovery Records Limited**  
**B - Company Creditors**

Key	Name	Address	£
CE02	EE Limited	Trident Place, Mosquito way, Hatfield, AL10 9BW	84 00
CE03	Egea UK	2 Cumberland Rd, London, N22 7TD	0 00
CE04	EM Records	FitzWaryn Hall, Clunton, Craven Arms, SY7 0HZ	424 52
CE05	Emanem	Calle Humo 12, Cadiar, 18440 Granada, Spain	3,012 61
CE06	Elcetera Records - Legal	Larenstraat 58, B 3560 Lummen, Belgium	7,888 22
CE07	Europa Worldwide Logistics Ltd	Europa House, 68 Hailey Road, Erith, Kent, DA18 4AU	0 00
CF00	Fanfare	36 Heber Road, Cricklewood, London	950 00
CF01	Fat Cat International Ltd.	Unit 10, Falcon Park, Neasden Lane, London, NW10 1RZ	1 367 88
CF02	Federal Express Europe Inc		182 67
CF03	Fedex UK	Parkhouse East Ind. Estate, Newcastle-under-Lyme, ST5 7RB	0 00
CF04	Fflach Tradd	Liys Y Coed, Heol Dinbych Y Pysgod, Aberteifi, Ceredigion, SA43 3AH	40.32
CF05	Fiamma & Ivo Ltd.	27 Pymont Road, London, W4 3NR	5 00
CF06	Five Rivers Recruitment	FIRST FLOOR, CROSS KEY HOUSE, 22 QUEEN STREET, SALISBURY, SP1 1EY	2,160 00
CF07	Free Dirt Records & Service Co.	PO Box 11451, Takoma Park, MD 20913, USA	2 728 98
CF08	Fremaux	20 rue Robert Giraudineau, 94300 Vincennes	10,171 58
CF09	Froggy Records	Flat 8, Cornwall Mansions, Blyth Road, Brook Green, London, W14 0HP	62 48
CG00	Galestone Records	247 Poverest Rd, Petts Wood, Kent, BR5 1GY	7 00
CG01	Galileo Music	Dachauer Str. 5-7, 82256 Furstenfeldbruck, Germany	860 12
CG02	Garage Records	, Torr House, Yealmington, Devon, PL8 2HR	852 50
CG03	George Balanchine Foundation	20 Lincoln Center Plaza, New York, NY 10023, USA	493 42
CG04	GHB Records	1206 Decatur Street, New Orleans, LA 70116, USA	7,196 67
CG05	Giant Sheep Music	SUND SOUND APS, ENDRUP BYVEJ 6, FREDENSBORG, DENMARK, DK 3480	206 95
CG06	Goomah Music	PO Box 51, NL-7447 ZH, Hellendoorn, Netherlands	9 96
CG07	Greg Cordez		130 00
CG08	Grist Environmental Group	Grist Environmental Group, Head Office, William Road, Devizes, SN10 3DY	623 96
CH00	HMRC Enforcement & Insolvency Service(EIS)	Durrington Bridge House, Barrington Road, Worthing, West Sussex, BN12 4SE	0 00
CH01	HMRC Insolvency Claims Handling Unit (ICHU)	Benton Park View, Longbenton, Newcastle upon Tyne, NE98 1ZZ	32,451 74
CH02	HM Revenue & Customs	Insolvency & Securities, 3rd Floor, Euston Tower, 286 Euston Road, London, NW1 3UQ	0 00
CH03	Health Shield	Electra Way, Crewe Business Park, Crewe, Cheshire, CW1 6HS	0 00
CH04	Home Records	8 rue Patenier, B-4000 Liege, Belgium	4 57

**Kingston Smith & Partners LLP**  
**Discovery Records Limited**  
**B - Company Creditors**

Key	Name	Address	£
CH05	Horizon Telecom	Horizon House, 201 Cirencester Business Park, Love Lane, Cirencester, GL7 1XD	1,872.47
CH06	Howe Records		1,339.14
CH07	Hungaroton	1135 Budapest, Reitter Ferenc u, Hungary	4,186.81
CI00	Information Commissioners Office	Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF	0.00
CI01	Igloo Records	153 Bid Léopold II, 1080 Bruxelles, Belgium	1,317.65
CI02	Immediate Media Co Bristol Ltd	9th Floor, Tower House, Fairfax Street, Bristol, BS1 3BN	510.00
CI03	International Freight & Transport Co	Norman Bailey, The Street, Bishop's Cannings, Devizes, SN10 2LD	6,986.00
CI04	Irma	Galleria Marconi 1/P, 40122 Bologna, ITALY	2,198.98
CI05	Irregular Records	, 33 Payne Avenue, Hove, BN3 5HB	805.75
CI06	Ishtar snc	Via Mecenate, 76/45, 20138 Milano, Italy	1,129.25
CI07	Ivory Classics	900 Island Drive, Apt. 512, Rancho Mirage, CA 92270, USA	344.46
CI08	International Freight & Transport Company	The Street, Bishop's Cannings, Devizes, SN10 2LD	0.00
CJ00	Jaro Medien GmbH	Bismarckstrasse 43, D-28203 Bremen, Germany	444.12
CJ01	Jazz Cat Records	31 Imperial Road, Edgerton, Huddersfield, HD3 3AF	8.00
CJ02	Jazz Journal	Office 13 Caxton House, Wellesley Road, Ashford, Kent, TN24 8ET	850.00
CJ03	Jazz Oracle	1 Reid Manor, Ontario, M8Y 2H8, CANADA	1,301.80
CJ04	JGVProductions	61 Hargwyne Street, London, SW9 9RQ	0.00
CJ05	Johann Strauss Soc.	The Haven, Frodesley, Near Dorrington, Shrewsbury, SY5 7EY	15.00
CK00	Karonte Dist.	Avda. Alfonso XIII, 141, 28016 Madrid, Spain	3,050.26
CK01	Kavanaghs Commercial	, 13 High Street, Meksham, SN12 6JY	35,618.33
CK02	Keene Media Limited	5 Springfield Road, Guildford, Surrey, GU1 4DW	2,640.00
CK03	Kite Packaging Ltd	, 186 Torrington Avenue, Tile hill, Coventy, CV4 9AJ	1,316.79
CK04	Komedia Entertainment	Chimmels, Park Road, Dartington, Devon, TQ9 6EQ	6,085.62
CL00	Laborie Records	39 Avenue Garibaldi, 87000 Limoges, France	437.11
CL01	Lammas	, 118 The Mount, York, YO24 1AS	0.00
CL02	L'Autre Distribution	ZAC de Conneuil, 9 Rue de Lavoisier, 37270 Montlouis sur Loire, FRANCE	1,208.39
CL03	Leo Records	16 Woodland Avenue, Kingstonswell, Newton Abbot, TQ12 5BB	3,388.20
CL04	Lorell	Lontano Trust And Lontano Records, Office 44, 219 Walworth Street, London, SE17 1RL	205.90
CL05	Lyreco Uk Limited	Deer Park Court, Donnington Wood, Telford, Shropshire, TF2 7NB	240.11
CM00	Ma Business & Leisure	Jesses Farm, Snow Hill, Dinton, Nr Salisbury, Wiltshire, SP3 5HN	5,850.00

**Kingston Smith & Partners LLP**  
**Discovery Records Limited**  
**B - Company Creditors**

Key	Name	Address	£
CM01	Mainstem		24.00
CM02	Manushi Records	31 Sanders Lane, off Bittacy, London, NW7 1BX	0 00
CM03	Matthew Read	Flat 2, 188 High Street, London, SE20 7QB	75 00
CM04	MC Records	298 Main Street, Suite 7, Northport, NY 11768, USA	849.04
CM05	Megadisc Classics	Albert Vander Kindere Str 24, B-1080 Brussels, Belgium, VAT : BE0894363259	122 37
CM06	Membran Media GmbH	Langenhorn Chaussee 44a, D-22335 Hamburg, Germany	1,070.59
CM07	Mellife	, Mellife	0 00
CM08	Metronome	Unit W3, Krowji, West Park, Redruth, TR15 3AJ	4,533 59
CM09	Mike Garbutt Transport Ltd.	The Broadway, Market Lavington, Devizes, SN10 5RH	55 67
CM0A	Minerva Professional Cleaning Services	, Unit 2, Redman Business Centre, Redman Road, Portmarsh Ind Estate, Calne, SN11 9RA	194.40
CM0B	Miscellaneous Supplier	no address, A, A, A, A	823.00
CM0C	Mode Records	PO Box 1262, New York, NY 10009, USA	3,274 90
CM0D	Mocchin About	14 Chelsea Court, 14 CHELSEA COURT, FROGMORE, LONDON, LA5 0HA	92.77
CM0E	M-Tech Computers Ltd.	17 The Oaks Business Park, Clews Road, Oakenshaw, Redditch, B98 7ST	40,433.21
CM0F	Music & Arts	2465 4th Street, Berkeley, CA 94710-2403, USA	27,313.98
CM0G	Music & Media	3 Cypress Close, Duddington, Cambs., PE15 0LE	149 33
CM0H	Music Box Records	2 Lacaine - Plaine de l'Horte, 11290 Roullens, France	1,148.20
CM0I	Music Business Worldwide Ltd	27 Old Gloucester Street, London	192 00
CM0J	Music for Dreams		465 85
CM0K	Musikkoperatorene AS	KongensGate 4, N-0153 Oslo, NORWAY	7,566.21
CM0L	MVD Entertainment Group	203 Windsor Rd, Pottstown, PA 19464, USA, Pennsylvania, 19464	3,832 12
CN00	Naxos Germany	Gruber Strasse 70, D-85586, Poing, Germany	28 01
CN01	Naxos Sweden AB	Kryptongatan 6, 703 73 Orebro, Sweden, VAT SE556462403801	6,404 43
CN02	Netmark	Nettle & Markham, The Old Power House, Atherton Street, London, SW11 2JE	44 22
CN03	NMR Records	8 Stansfield Close, Oxford, OX3 8TH	60 00
CN04	Northside	2212 Milwaukee Ave, Minneapolis, MN55404	300.00
CN05	Note 1 Music GmbH	Carl-Benz-Str. 1, 69115 Heidelberg, Germany	25,948 68
CN06	Novia Ltd.	Unit 12, Haronden Road, Parkwood Industrial Est., Maidstone, ME15 9YR	0 00
CN07	Natwest Bank Plc	30 High Street, Chippenham, Wiltshire, SN15 3HB	0 00

**Kingston Smith & Partners LLP**  
**Discovery Records Limited**  
**B - Company Creditors**

Key	Name	Address	£
CO00	Oboe Classics	9 Beversbrook Road, London, N19 4QG	209.86
CO01	Ogun Recording Ltd.	23 Oakwood Close, Hastings, East Sussex, TN34 2JF	1,516.50
CO02	OnClassical	Via Ca'Morolazzaro 27/a, 36020 Pove del Grappa, Vicenza, Italy	0.00
CO03	Orange Mountain Music	2 Captains Walk, East Hampton, New York NY11937, USA	33,377.06
CP00	Pearson May	5 Wicker Hill, Trowbridge, Wiltshire, BA14 8JS	4,738.61
CP01	Performing Right Society Limited	2 Pancras Square, London, N1C 4AG	0.00
CP02	Pertemps Recruitment Partnership Ltd (legal)	Meriden Hall, Main Road, Meriden, Coventry, CV7 7PT	3,312.00
CP03	Phil Cooper Incorporated	9 Westbourne Road, Westbury, Wilts	40.00
CP04	PHS Group PLC	Western Industrial Estate, Caerphilly, CF83 1XH	0.00
CP05	Pictor Records	8b Kemerton Road, 8b Kemerton Road, London, SE5 9AP	4.50
CP06	Piranha Womex AG	Bergmannstr. 102., 10961 Berlin, GERMANY	0.00
CP07	Pirouet Records	Grunwalder Weg 30, 82041 Oberhaching, Germany	796.25
CP08	Plugged Music AB	Box 2023, 103 11Stockholm, Sweden	103.18
CP09	Ponderosa	Piazza S.Maria delle Grazie, 1, 20123 Milano, Italy	24,630.01
CP0A	Primitive Reaction	P.O. Box 287, 01301, Vantaa, 01301, FINLAND	17.59
CP0B	Priority Records	3 Eden Court, Eden Way, Leighton Buzzard, Beds., LU7 4FY	537.81
CQ00	Quartet Records	Quatenus Ediciones S.L, C/ Mancebos 14, Bajo Derecha, 28005 Madrid, Spain	71.84
CR00	Real Music	, 85 Libertship Way, Sausalito	618.69
CR01	RecArt	, Os. Ulanski 42, Zalasewo, Poland, 62-020	233.94
CR02	Red Orange Recordings	50 Kingsmead, Barnet, Herts, EN5 5AY	21.00
CR03	Redbush	15 Villers Road, Watford, WD19 4AG	4,358.69
CR04	Retrospect Opera	82 Queens Road, Cheadle Hulme, Cheshire, SK8 5HH	1,122.50
CR05	Right Stuff Records	7 Rue Jus:in Daleas, 65200 Bagneres de Bigorre, France	18.01
CR06	River Productions	The Glass House, 53 Ormond Avenue, Hampton, Middlesex, TW12 2RY	245.70
CR07	Roven Records	2166 Broadway, New York, New York, NY10024	60.83
CR08	Roy Music	227 rue St Denis, 75002 Paris, FRANCE	5.28
CR09	Royal London Insurance	, Brighton	0.00
CR0A	Royal Mail	Finance Service Centre, Royal Mail House, Stone Hill Road, Farnworth, Bolton, BL4 9XX	4,230.78
CR0B	Roa Distribution	Unit 6, Bevedere Business Park, Crabtree Manorway South, Belverdere, Kent	33,329.67
CR0C	RTE Lyric FM	Cornmarket Square, Limerick, Ireland, VAT IE8T50578M	986.55



**Kingston Smith & Partners LLP**  
**Discovery Records Limited**  
**B - Company Creditors**

Key	Name	Address	£
CS00	Sain Records	Llandwrog, Caernarfon, Gwynedd, LL54 5TG	349.63
CS01	Sam Reider Music	201 Crown Street, Apt. 2H, Brooklyn, New York	13.06
CS02	Sarah Elgeti	c/o Lis Todd, Farevejle Kanalvej 7, 4540 Farevejle, Denmark	12.00
CS03	Shellshock	10 The Hub., St Mary's House, Duke Street, NORWICH, NR3 1QA	179,422.29
CS04	Sheva Collection	Via Cesone 36, 13853 Lessona, Biella, Italy	743.55
CS05	Skip Records GmbH	Henriettenweg 1, D-20259, Hamburg, Germany	5,288.38
CS06	Smekkleysa	PO Box 71C, 101 Reykjavik, Iceland	1,036.10
CS07	Smithsonian Folkways	600 Maryland Avenue, SW, 600 Maryland Avenue, SW, Suite 2001, Washington DC 20024, DC, 20024	19,900.32
CS08	Sparks & Shadows	1880 Century Park East, Suite 1600, Los Angeles, California, CALAFORNIA, 90067	1,566.15
CS09	Sterns Music	Via Simply Fresh, 295 Euston Road, London, NW1 3AD	4,814.14
CS0A	Storyville	Esplanaden 8 D, DK-1263 Copenhagen K, Denmark	2,649.04
CS0B	Subatomic	Treetops, The Level, Ponjeravah, Cornwall, TR11 5PU	45.55
CS0C	Submarine	13 Gardenia Road, Bush Hill Park, Enfield, Middx, EN1 2JA	4,666.11
CS0D	Sundance Music	Gothersgade 107, 1123 Copenhagen, Denmark, VAT : DK CVR 27482856	3,629.77
CS0E	Sunset-France	96 rue du Chateau, 92100 Boulogne, France	676.64
CS0F	SWIP Records	Zilverstraat, 9, 3511 VB Utrecht	97.00
CT00	Derek Mason	48 Esher Green, Esher, Surrey, KT10 8AQ	194.25
CT01	Templitt Ltd.	Overbeckstrasse 7, 22085 Hamburg, Germany	0.00
CT02	Th White Installation Ltd	Nursted Road, Nursted Road, Devizes, SN10 3EA	771.84
CT03	The Safety Supply Company	Unit 2 Abbey Manufacturing Estate, Mount Pleasant, Wembley, HAO 1NR	18.12
CT04	Tnt International Ltd.	PO Box 186, Ramsbottom, Bury, BL10 9GR	730.05
CT05	Tnt Uk Limited	PO Box 4, Ramsbottom, Bury, Lancashire, BL8 9AR	0.00
CT06	Total Gas & Power ACC3005171697	Bridge Gate, 55-57 High Street, Redhill, Surrey	7,980.28
CT07	Trapeze Music & Entertainment Ltd.	42a Cannon Lane, Pinner, Middx, HA5 1HW	324,983.00
CT08	Traumton Records	Grunewaldstr. 9, 13597 Berlin, Germany	143.55
CT09	Tricatel	6 rue André Messager, 75018 Paris, FRANCE	4,867.70
CT0A	Tru-Nu Records	Nethermill, Motherwell Street, Aldrie, Lanarkshire, ML6 7EJ	0.00
CT0B	Tumi	Mill Cottage, St Catherine., BATH, BA1 8EU	204.27
CU00	Union Square	8th Floor, 5 Merchant Square, London, W2 1AS	2,070.65

Kingston Smith & Partners LLP  
Discovery Records Limited  
B - Company Creditors

Key	Name	Address	£
CU01	UPS Ltd	St Davids Way, Nuneaton, CV10 7SD	2,751.46
CU02	Universal Music France	20 Rue des Fosses St Jacques, 75005 Paris, France	0.00
CU03	Usura SPRL	Av. A. Lacomble 40 B27, 1030 Brussels, BELGIUM	1,320.64
CV00	VAL	109 Wheeler Avenue, Pleasantville, USA	7,371.54
CV01	Valley Entertainment	305 West 71st Street, New York, NY10023, USA	1,460.47
CV02	Vincent Leahy	5 Osbourne Close, Bromborough, Wirral, CH62 6EY	4,500.00
CV03	Vision of Sound Records	85 Holme Drive, Sudbrooke, Lincoln, LN2 2SF	0.00
CW00	Wansbroughs Solicitors	Northgate House, Devizes, Wiltshire, SN10 1JX	1,200.00
CW01	Water2business		95.51
CW02	Whirlie Records	14 Broughton Place, Edinburgh, EH1 3RX	187.20
CW03	Wildsong	2 Tile Sheds, Ewart, Wooler, Northumberland, NE71 6HH	69.75
CW04	Willowhayne Records Ltd. Legal	, 11 Willowhayne Cres., East Preston, W. Sussex, BN16 1PJ	971.93
CW05	Wiltshire C C Business Rates	Collections -Business Rates, PO Box 4385, TROWBRIDGE, Wilts, BA14 4DS	24,170.25
CW06	Winter & Winter	Viktoriastrasse 28, D-80803 Muenchen, Germany, VAT : DE219224046	4,038.52
CW07	Wolf Records	A2020 Hollabrunn, Schönggrabern 134, Austria	768.82
CW08	Worldpay	Gateshead Card Centre, PO Box 27, Victory House, Fifth Avenue, Gateshead, NE11 0EL	45.48
CW09	Wyastone Estate Ltd. LEGAL	Wyastone Estate Ltd, T/A Nimdus Records, Wyastone Leys, Monmouth, NP25 3SR	20,412.75
CX00	Xeretec	Ashridge House, Oaklands Park, Wokingham, RG41 2FD	7,976.34
CZ00	Zarathustra Music	c/o Spielman Koenigsberg LLP, 1745 Broadway, 18th Floor, New York, NY 10019, USA	62.97
CZ01	Zig Zag World	32 Rue aux Fleurs, B-1000 Bruxelles, Belgium, VAT: BE 0460 830 667	0.00
RC00	Howard John Cooper	Banda Trading Estate, Nursteed Road, Devizes, Wiltshire, SN10 3DY	0.00
RC01	Martin Timothy Cobb	Banda Trading Estate, Nursteed Road, Devizes, Wiltshire, SN10 3DY	0.00
230 Entries Totalling			1,145,552.49

## Appendix D

### Fees Information in accordance with The Insolvency (England and Wales) Rules 2016 and Statement of Insolvency Practice 9

#### Fees Overview

Prior to agreeing the basis of our remuneration as Joint Administrators, details of the work proposed to be done and the expenses it is considered will be, or are likely to be, incurred in dealing with the Company's affairs must be provided to creditors.

In addition, where the Joint Administrators propose to take all or any part of this remuneration based on the time they and their staff will spend dealing with the affairs of the Company, a **fees estimate** must also be provided. This will outline the anticipated cost of that work, how long it is anticipated the work will take and whether any further approvals may be needed from creditors in due course.

It should be noted that a **fees estimate** may be provided to a particular milestone or for a designated period in the case, where it is not possible to accurately estimate the work that will need to be done at the outset.

Creditors should be aware that the **fees estimate** is based on all of the information available now and may be subject to change due to unforeseen circumstances that may arise during the Administration. If it is considered that the **fees estimate** will be exceeded, the Joint Administrators will provide an update and seek approval to increase the previously agreed **fees estimate**.

#### Work anticipated and the likely return to creditors

Some of the work undertaken by the Joint Administrators is required by statute and may not necessarily provide a financial benefit to creditors. Examples of this work include investigations required by Statement of Insolvency Practice 2 and the Company Directors Disqualification Act 1986 or dealing with the claims of former employees via the National Insurance Fund.

Where the work to be done is anticipated to produce a financial benefit to creditors, this will be stated and it may be necessary for the Joint Administrators to instruct third parties to assist in this process because of a particular expertise that the third party may bring such as valuation, tax or legal advice.

Where it is practical to do so, the Joint Administrators will provide an indication of the likely return to creditors when seeking approval for the basis of their remuneration. Again due to the complex nature of the work undertaken by insolvency practitioners and the uncertainties that may exist in relation to the realisation of the Company's assets at the outset of a case, this may not be possible. The Joint Administrators are however, required by statute to provide periodic reports to creditors on the progress of a case which will include an update as to the likely return creditors may expect

#### Proposed Fee Basis

In this case, it is being proposed that the basis of our remuneration as Joint Administrators will be based on the time spent by us and our staff in dealing with the Company's affairs. Attached to this document is my **fees estimate**, together with an explanation of the work it is proposed will be undertaken.

Each part of the work to be undertaken will necessarily require different levels of expertise and therefore related cost. In order to aid understanding, for the purposes of the **fees estimate**, I have indicated an average blended rate of the grades of staff such as myself, the case manager, the case administrator and cashier when estimating the total hours to be spent on each part of the work.

This **fees estimate** is produced on the basis of all the work I currently propose will be necessary in the Administration. If I consider the **fees estimate** will be exceeded I will notify creditors accordingly, provide a revised estimate and seek further approval for the increased fees.

## DISCOVERY RECORDS LIMITED – IN ADMINISTRATION

### Outline of work to be done by the Joint Administrators

Below are details of the work I propose undertaking in support of the above *fees estimate* for the Administration:

#### *Administration (including statutory compliance & reporting)*

The Joint Administrators are required to carry out certain tasks in nearly every insolvency assignment, namely administrative duties and dealing with the Company's creditors. Whilst these tasks are required by statute or regulatory guidance, or are necessary for the orderly conduct of the proceedings, they do not necessarily produce any direct financial benefit for creditors, but nonetheless still have to be undertaken.

This work includes:

- Notifying creditors of the Joint Administrators' appointment and other associated formalities including statutory advertising and filing relevant statutory notices at Companies House;
- Reporting to creditors regarding the pre-packaged sale of the business;
- Preparing and issuing the Joint Administrators' statement of proposals for achieving the purpose of the Administration and thereafter providing periodic progress reports to members and creditors (typically every 6 months),
- Lodging periodic returns with the Registrar of Companies for the Administration;
- Complying with statutory duties in respect of the Joint Administrators' specific penalty bond;
- Creation and update of case files on the firm's insolvency software;
- Establishing and holding periodic meetings of the creditors' committee and associated filing formalities (if a committee is appointed);
- Securing the Company's books and records;
- Pension regulatory reporting and auto-enrolment cancellation;
- Completion and filing of the notice of the Company's insolvency to HMRC;
- Initial assessment required by Statement of Insolvency Practice 2 and the Company Directors Disqualification Act 1986 (CDDA) including the review of the Company's books and records and the identification of potential further asset realisations which may be pursued in the Administration;
- Submitting a statutory report to the Insolvency Service under the CDDA;
- Periodic case progression reviews (typically at the end of Month 1 and every 6 months thereafter);
- Opening, maintaining and managing the Administration estate cashbook and bank account(s);
- Dealing with all post-appointment VAT and corporation tax compliance; and
- Liaison with secured creditors, obtaining charge documents and validating the security.

#### *Realisation of assets*

As outlined in the report above, it is anticipated that work will be undertaken in the following areas:

- Collecting sale consideration from the Purchaser as and when instalments fall due;
- Reviewing any deferred elements of consideration due under the SPA;

## DISCOVERY RECORDS LIMITED – IN ADMINISTRATION

- Implementing all terms of the SPA generally to pursue the statutory purpose of the Administration,
- Correspondence with the Purchase to reconcile pre-appointment book debts and collecting any surplus due to the Administration estate, and
- Collecting any miscellaneous refunds or cash that are available to the Company.

Work done by the Joint Administrators, their staff and any third parties engaged to assist the Joint Administrators in realising the Company's assets will, it is anticipated, provide a financial benefit to creditors. This may involve realising assets to facilitate a distribution to secured creditors of the Company only (from which a Prescribed Part fund may be derived for the benefit of unsecured creditors) or may, depending on realisations and the extent of any 3<sup>rd</sup> party security, result in a distribution to the unsecured creditors of the Company. Further information on the likely outcome of the Administration process will be provided in the Joint Administrators' subsequent progress reports.

### ***Creditors (claims and distributions)***

The Joint Administrators will deal with all creditor correspondence and claims as received, including any claims of creditors under retention of title. Based on the Estimated Financial Position of the Company, I currently think that after taking into consideration the costs of realising the assets and dealing with the statutory formalities of the Administration process and the related costs and expenses, a distribution may be available to the unsecured creditors of the Company. I will either deal with the review and adjudication of creditors' claims in the Administration or if appointed liquidator, in the subsequent liquidation, if and when it is determined that a dividend is to be declared to creditors.

I do not expect to deal with any complex claims but would comment that in particular, I will liaise with the landlord of the Premises to arrange the formal assignment of the lease to the Purchaser, and will also correspond with the landlord for the former premises to surrender of this lease.

### ***Investigations***

The Joint Administrators are required to conduct investigations into the conduct of the Director of the Company and transactions entered into prior to the Company's insolvency, as required by the Company Directors Disqualification Act 1986 and Statement of Insolvency Practice 2 (Investigations by Office Holders in Administrations and Insolvent Liquidations).

This work may not necessarily lead to any financial benefit to creditors yet is work we are required to undertake by statute. I have included the time I consider will be needed to comply with the above legislation within **Administration** above.

If however, initial investigations reveal that further recoveries may be available for the insolvent estate, all work undertaken to pursue these recoveries will be estimated within this time category.

At this stage, I do not foresee any substantial investigation work will be required but if following the conclusion of the initial investigations I consider that further investigation work is then required to pursue assets of the Company, I will provide creditors with an update on my **fees estimate** in due course.

### ***Joint Administrators' Expenses***

As also noted, I am required to provide creditors with details of the expenses I consider will be, or are likely to be, incurred in the Administration. These may include expenses such as agent's costs for assisting in the disposal and realisation of the Company's physical assets or other routine expenses associated with an insolvency case such as statutory advertising costs or the office holder's specific penalty bond.

Below is a summary of the expenses I consider will be, or are likely to be, incurred in this case. I will provide a further update to creditors in my subsequent progress reports.

## DISCOVERY RECORDS LIMITED – IN ADMINISTRATION

Expense	Estimated cost £
Statutory Advertising	67
Statutory Bonding	80
Records Collection and Storage	350
Postage	150
Solicitors' Fees for dealing with Lease assignment	3 000
<b>Category 2 disbursements:</b>	
Photocopying	200
IPS Licence	90

### **Kingston Smith & Partners LLP's Charge-out rates and Category 2 disbursements policy**

Attached to this document are details of my firm's current charge out rates and policy regarding the re-charge of Category 2 disbursements.

Category 2 disbursements require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage. Any Category 2 disbursements which this firm proposes to charge in this case are reflected in the table of expenses above. Approval to charge these will be sought from creditors when the basis of our remuneration as Joint Administrators is fixed.

It should be noted that my firm's charge-out rates may increase periodically. If any such increases impact on the **fees estimate** for the Joint Administrators, creditors will be notified accordingly.

### **Joint Administrators' Fees Estimate**

Below is my **fees estimate** for the Administration. The work the Joint Administrators anticipates undertaking in relation to this estimate has been outlined above. It is an estimate for the entire Administration but if I consider this estimate will be exceeded, I will advise creditors and seek approval for a revised **fees estimate** as appropriate.

Category of work	Estimated Number of Hours	Average blended charge out rate £	Estimated cost £
Administration & Planning	25.00	283.60	7,090
Realisation of Assets	21.50	299.07	6,430
Creditors	27.00	300.00	8,100
Investigations	3.00	300.00	900
<b>Total estimated fees</b>			<b>£22,520</b>

# DISCOVERY RECORDS LIMITED – IN ADMINISTRATION

## Appendix E

### Estimated Outcome Statement as at 17 September 2018

	£
<b>Uncharged Assets</b>	
Sale of business and assets	50,000
Pre-appointment Book Debts	uncertain
	50,000
<b>Less:</b>	
Estimated Joint Administrators' Fees fixed by time costs	(22,520)
Estimated Joint Administrators' Disbursements	(937)
Unpaid pre-appointment fees – Kingston Smith & Partners LLP	(5,215)
Unpaid pre-appointment fees – Isadore Goldman	(4,369)
Legal Costs for dealing with Lease Assignment	(3,000)
<b>Surplus available for unsecured creditors</b>	<b>13,959</b>

**DISCOVERY RECORDS LIMITED – IN ADMINISTRATION**

**Appendix F**

**SIP16 Statement**



## DISCOVERY RECORDS LIMITED – IN ADMINISTRATION (“the Company”)

### JOINT ADMINISTRATORS’ STATEMENT ON A PRE-PACKAGED SALE OF THE BUSINESS AND ASSETS OF THE COMPANY PURSUANT TO STATEMENT OF INSOLVENCY PRACTICE 16 (“SIP16”)

#### Overview

Where a sale of all or part of a company’s business or assets is negotiated with a purchaser prior to the appointment of an Administrator and the Administrator effects the sale immediately on, or shortly after appointment, this is known as a pre-packaged sale.

Prior to the appointment of an Administrator, an insolvency practitioner may act in an advisory capacity to the Company. During this time the insolvency practitioner’s role is not to advise the Directors personally or any parties connected with any eventual purchaser of the Company’s business or assets.

We would confirm that the Director was advised to take his own independent advice on his position in this regard. It is also possible that a different insolvency practitioner may be the eventual Administrator and not the insolvency practitioner who provided the advice to the Company before any formal appointment was made.

The role of an Administrator once the Company has entered Administration is for him to perform his functions with the objective of either rescuing the Company as a going concern or achieving a better result for the Company’s creditors as a whole than would be likely if the Company were wound up rather than being placed into Administration first.

If neither of these objectives is reasonably practicable, the third objective of realising property in order to make a distribution to one or more secured or preferential creditors of the Company may be pursued, providing the Administrator avoids unnecessarily harming the interests of the creditors as a whole.

In this case, the Joint Administrators have pursued the second objective, to achieve a better result for the Company’s creditors as a whole than would be likely if the Company were wound up (without first being in Administration). It is considered that the pre-packaged sale enables the statutory purpose of Administration to be achieved and that the outcome achieved is the best available for creditors as a whole in all the circumstances.

Set out below is further information containing a summary of the circumstances relevant to the pre-packaged sale of all or part of the Company’s business and assets to Discovery Music Distribution Limited (“the Purchaser”) in accordance with the provisions of SIP16.

#### Background

*The Company operated within the music industry distributing CDs, DVDs and records, for artists that were often less mainstream or in niche genres. The Company was supported by complimentary associated companies, Trapeze Music Limited, Trapeze Music & Entertainment Limited and Acrobat Licensing Limited (“Trapeze”, “TME” and “Acrobat” respectively and together “the Associated Companies”) who produce the stock and hold intellectual property, including licences. The Company traded from premises at Fiveways Industrial Estate, Westwells Road, Corsham, Wiltshire, SN13 9RG (“the Premises”).*

Though an established business in the music production sector supported by long term suppliers and exclusivity agreements with customers, the Company was struggling with cash flow due to long term bad debt and the legacy costs of a move from its old location to the Premises. The Company was surviving hand-to-mouth, reliant on financial support from Trapeze and TME and frequent draw-downs on its secured lending facilities to pay suppliers and staff.

The Company was under pressure from suppliers, utility providers threatening to cut supply and HM Revenue & Customs. It was also clear that the current level of borrowing against the secured lending

facility was unsustainable. It was likely that the Company would shortly be facing a Winding-up Petition from one or more of its creditors.

### **Initial introduction**

The Joint Administrators were introduced to the Company through a firm of debt collection agents, Collection House Limited ("Collection House"). Collection House were instructed to pursue a debt owed to their client by the Company, and through correspondence with the Company's Director discovered that it was in financial difficulty.

Collection House suggested that it may be beneficial to speak with an insolvency practitioner to assist with the Company's financial situation, and subsequently introduced the Company to Kingston Smith & Partners LLP via email on 26 June 2018.

The Joint Administrators do not believe that there is any significant personal or professional relationship *between the Company or its Director and Kingston Smith & Partners LLP and carried out the appropriate conflict review prior to accepting the appointment.* I would confirm that I was formally engaged by the Company in relation to the Administration on 16 August 2018.

### **Pre-appointment considerations**

The following courses of alternative action were considered with management prior to the Joint Administrators' appointment and the pre-packaged sale:

#### ***Continued Trade both with or outside of a formal Company Voluntary Arrangement ("CVA")***

I was initially engaged by the Company on 13 July 2018 to advise on the Company's financial position and assist in preparing the Proposal for a CVA. Despite its cash flow issues, the Company had been approached by a third party willing to inject funds over a period of time to support the business and allow it to trade out of difficulty, whilst also making regular contributions under a CVA.

Negotiations commenced, but unfortunately after a detailed review of the Company's financials and future viability, the third party withdrew their offer of investment on 26 July 2018 and given the cash flow issues, it was apparent that rescuing the Company as a going concern through a CVA would not be possible.

#### ***Distressed sale of the business and assets as a going concern by management***

A sale of the business and assets of the Company outside of a formal insolvency scenario would result in any purchaser inheriting the Company's liabilities. Given the Company's issues were exacerbated by a historic build-up of debt, it would involve significant additional funding on top of the purchase price to bring the Company back to profitability. Given the Company had already explored additional funding through a CVA and this funder did not proceed, it is unlikely this option would be viable for any prospective purchaser.

Notwithstanding this, any deal would necessarily take weeks to agree and as creditor pressure was mounting, the Company required the urgent protection of an interim moratorium to avert disruptive action from creditors.

#### ***Sale of the business and assets as a going concern by the Joint Administrators***

Further funding from Trapeze, TME and secured lenders was not sustainable to meet the current level of liabilities and there was no residual cash as the Company had already utilised its overdraft facility with the Bank. Income from on-going trade would be insufficient to meet the significant costs and expenses of the Joint Administrators trading the business.

It was also likely that a prolonged period in Administration would damage supplier/customer relationships and potentially have a negative impact on staff retention. It was essential that a sale was

conducted as a seamless transition to the Purchaser to preserve any goodwill and this could only be achieved via a pre-packaged sale.

#### **Liquidation and subsequent forced sale of the Company's assets**

The Company's stock was fully secured by a fixed and floating charge and any Liquidation would only benefit from the surplus sale proceeds from the stock after the liability to the charge holder was settled in full. Furthermore, the value of the stock and the Company's other chattel assets would diminish ex-situ in a forced sale scenario. The Company's largest asset is goodwill, which would have no value in Liquidation.

Additionally, all staff would be made redundant on Liquidation, adding considerable preferential and unsecured liabilities that were likely to be avoided were the Company to be rescued or sold as a going concern. Similarly, Liquidation would crystallise the lease liabilities for the Premises (potentially including a significant claim for dilapidations) and would leave the trading position of the Associated Companies untenable, likely resulting in these two entities being placed into Liquidation and their own staff being made redundant.

#### **Comparative outcome and valuation of the business and assets**

Professional valuation agents Lambert Smith Hampton ("LSH"), registered with the Royal Institution of Chartered Surveyors were instructed to value the business and assets of the Company and market the business for sale. Further information on LSH's marketing strategy is provided below.

The lease to the Premises was valued by LSH on 17 August 2018 and the Company's assets were valued on 22 August 2018. LSH have confirmed their independence and that they carry adequate professional indemnity insurance.

The following table provides a comparative outcome of the going-concern valuation of the Company's assets against the outcome obtained via the pre-packaged sale and compares this with the likely realisations that would have been made via a sale of the Company's assets in a liquidation scenario or through a restricted marketing period post Administration.

Details of Assets	Going-concern valuation	Value achieved through the pre-packaged sale in Administration	Anticipated value in Liquidation, or under a restricted marketing period post Administration
	£	£	£
Plant & Equipment, Furniture, Mezzanine Floor and Stock*	15,600	20,000	4,700
Goodwill	20,000-50,000	30,000	uncertain
<b>Totals</b>	<b>35,600-65,600</b>	<b>50,000</b>	<b>4,700</b>

\*Stock is either on consignment, third party owned or fully secured by the secured charge holder under a stocking agreement, thus resulting in no possibility of realisations.

#### **Consultations with major creditors**

##### **Secured Creditors**

The following charges are registered against the Company:

Charge in favour of	Date of Creation
Cavendish Investments (Manchester) Limited	15 April 2015
Easy Invoice Finance Limited	15 April 2015
Cavendish Investments (Manchester) Limited	1 April 2016

All charges listed above are controlled under the umbrella of Regency Factors Plc ("Regency") The charges include a fixed and floating charge over the Company's stock, and a floating charge over other assets. The Company also benefits from an invoice factoring facility

Regency's continued assistance was vital leading up to the appointment of the Joint Administrators and following discussions with the Director, Regency agreed to provide further short term funding to allow staff wages to be processed whilst the business was marketed and the terms of the pre-packaged sale were negotiated with the Purchaser.

Regency's continued support was essential as the business and assets would need to be sold to the Purchaser uncharged. Moreover, given Regency's ability to appoint an Administrator of their own, I made contact to explain the strategy for the proposed pre-packaged sale.

Regency agreed to provide the appropriate Deeds of Release to allow the business and assets to be sold uncharged to the Purchaser, but have arranged to take similar security over the Purchaser to ensure their position is unaffected by the Administration.

### ***Utility Suppliers***

Shortly after I was engaged by the Company to assist in preparing the pre-packaged sale, I was advised that a utility provider owed a large amount was threatening to cut off supply to the Premises. This would have disabled the Company's trading activity and potentially extinguished any chance of a sale of the business as a going concern.

Contact was made with this supplier and attempts were made to forestall the disconnection with offers of part-payment of the outstanding balance. These offers were refused. The strategy for the pre-packaged sale, and how this represented the best outcome for creditors (including this supplier) was explained but the supplier insisted disconnection would take place in line with their policy.

The Company was left with no option but to file a Notice of Intention to Appoint an Administrator ("NOI") on 20 August 2018 which gave the protection of a moratorium precluding any further action by the utility supplier. Negotiations in relation to the pre-packaged sale were protracted and the sale had not been agreed before the expiry of the first NOI. Consequently, a second NOI was filed on 4 September 2018 to facilitate the appointment of the Joint Administrators on 12 September 2018.

### ***Other Unsecured Creditors***

One major unsecured creditor became aware of the Company's circumstances and made contact on 31 August 2018. The strategy for the pre-packaged sale was explained and through discussions it was apparent the creditor appreciated the advantage of the process and of selling the business and assets of the Company as a going concern. This creditor in fact began preparing a formal offer for the business, which was subsequently withdrawn on receipt of additional financial information.

### ***Marketing of the business and assets***

Marketing a business is an important element in ensuring that the best available consideration is obtained for it in the interests of the Company's creditors as a whole. The Joint Administrators advised the Company prior to their appointment that any marketing should conform to the marketing essentials set out in SIP16 which includes the following key considerations:

- The business should be marketed as widely as possible, proportionate to its nature and size in the time available using whatever media or other sources that are likely to achieve this outcome;
- Previous marketing of the business prior to the Joint Administrators' involvement may not provide justification to avoid further marketing. The Joint Administrators must be satisfied as to the adequacy and independence of any prior marketing undertaken by the Company;
- Marketing should have been undertaken for an appropriate length of time to satisfy the Joint Administrators that the best outcome for creditors as a whole has been achieved;

- Any marketing attempts must by default, include the use of the internet.

Given the filing of the first NOI, time was of the essence and marketing commenced on 22 August 2018, once the appropriate marketing collateral had been prepared and approved.

The Joint Administrators' appointment was initially envisaged to be made on 3 September 2018. Though this allowed for less than two weeks of marketing, it was considered adequate as the Company operated a niche business and gauging the interest of appropriate third parties would not require an extended marketing campaign. LSH already had a database of potential purchasers and transmitting the marketing material electronically was considered the most efficient use of the short timeframe. In light of the Company's cash flow problems, it is unlikely it could continue to trade for a prolonged period whilst further marketing took place in any event.

LSH prepared an electronic flyer to be distributed amongst c. 3,000 contacts, including competitors/similar businesses in the industry and known buyers of distressed businesses. The business was also advertised for sale on LSH's website.

In response to the marketing exercise, 6 Non-Disclosure Agreements were signed by independent third parties, but following the provision of further financial information, no offers were received. As described above, this included a large creditor of the Company who expressed an interest in acquiring its business, but after reviewing the financials did not proceed with submitting a final offer.

It was evident that any purchaser of the business and assets of the Company would require the co-operation of the Associated Companies going forward. As it was connected to the Company, it was known the Purchaser was preparing an offer and it was considered likely that a sale to the Purchaser would represent the best opportunity to preserve the support of the Associated Companies, and likely the best chance of a sale as a going concern given the lack of third party offers.

The Purchaser submitted their final offer of £50,000 on 30 August 2018. However, it was clear that there would not be enough time for LSH to review or recommend this offer or to formalise any consequent Sale and Purchase Agreement ("SPA") before the expiry of the first NOI. Accordingly, the second NOI was filed on 4 September 2018.

LSH reviewed the offer from the Purchaser and recommended acceptance on 4 September 2018, taking into account the lack of other offers and the diminished value of the Company's assets in a forced sale scenario, which was the only alternative.

The Purchaser's offer was accepted in the best interests of creditors as it represented the most monetary value but also avoided the adverse effects of a Liquidation, described in **Pre-appointment considerations** above.

#### **Details of the assets sold and the nature of the transaction**

The sale completed on 12 September 2018 and the transaction was made pursuant to the SPA of the same date. The Company instructed solicitors Isadore Goldman Limited to handle the transaction and prepare the SPA, and the Purchaser instructed Gordon Dadds LLP to assist in preparing their offer for the business and assets of the Company and to review and agree the SPA. Further detail on the assets sold and the nature of the consideration can be found below.

The Purchaser is Discovery Music Distribution Limited (registered number 11541075) of 42a Cannon Lane, Pinner, HA5 1HW. The Company's Director, Howard John Cooper, is the Director and majority shareholder of the Purchaser and is also involved in the management and ownership of the Associated Companies.

The total price paid by the Purchaser for the business and assets of the Company is £50,000. This is to be paid in instalments as described below. The Director of the Company/the Purchaser has personally guaranteed all of the instalments due from the Purchaser to the Company, together with interest arising in relation to these instalments set out in the applicable clauses in the SPA.

### **Connected Party transactions**

Where there are connections between an insolvent company and the purchasing entity, the purchaser meets the definition of a "connected party" and following recommendations made to the Department for Business, Energy & Industrial Strategy about pre-packaged sales to connected parties, it was felt that some of the concerns expressed about such transactions in the context of insolvency, may be overcome by having an independent party review the proposed sale and offer an opinion on the appropriateness of the grounds for the sale. This may provide reassurance to creditors that an independent person has considered the reasonableness of the proposed transaction.

As the transaction meets the definition of a connected party sale, the transaction is eligible for review by the Pre-Pack Pool ("the Pool"). The Pool is an independent body of experienced business people and has been set up in response to a series of recommendations contained in an independent review of pre-packaged sales in administrations. A Pool member will offer an opinion on the purchase of a business and/or its assets by a party connected to a company where a pre-packaged sale is proposed by an Administrator.

The Pool, through its members, operates only to review and opine on applications made voluntarily by connected parties. Further information on the work of the Pool can be found in the 'Questions and Answers about the Pre-Pack Pool' document on the Pool's website at [www.prepackpool.co.uk](http://www.prepackpool.co.uk)

The Purchaser was made aware of their ability to approach the Pool and the potential for enhanced stakeholder confidence from the connected party approaching the Pool and preparing a viability statement for the purchasing entity. In this case, the Pool has not been approached by the Purchaser.

### **Viability statement**

A viability review can be drawn up by a connected party wishing to make a pre-packaged purchase. The review should cover the greater of 12 months or the period over which any consideration is to be deferred in order to demonstrate how the purchasing entity will survive for this period from the date of the proposed purchase.

As Joint Administrator, I requested that the connected party provide me with a copy of their viability statement and this is provided below:

*"As all involved will be aware before commencing on the present course both Vince Leahy (Financial Director) and myself embarked on an exhaustive examination of both the existing business and that of the new business. Every area of the business has been examined and refined to ensure that the new business can trade forward within its means and show a profit.*

*Discussions have been held with key suppliers; these discussions indicate that in most cases the suppliers will have agreed to work with the new company to move forward and to help the company rebuild confidence and establish the new business as a major player in its specialist market of physical music distribution.*

*In addition to stabilising our relationship with suppliers we have, or are in the process of, agreeing the manner that we will move forward with the landlord of the premises occupied by the company and other key suppliers of services including the management of the website and the software required to ensure the smooth running of the business.*

*We have met and discussed the situation with key staff and agreed any changes that may be required, such changes will include any necessary changes to the company Contract of Employment.*

*Although we fully expect that it will take time and effort to re-establish the business the indications are that there is enough goodwill from suppliers, Staff and customers to allow the new business to flourish and grow.*

*John Cooper  
Managing Director  
Discovery Music Distribution Limited"*

## **Assets**

All of the assets sold to the Purchaser transferred immediately on completion of the pre-packaged sale on 12 September 2018 and are defined completely in the accompanying SPA. These assets comprise the following:

- The Company's commercial records, which included all tax and employee records and financial, promotional and sales information necessary for the continued trade of the business (but excludes any other Company records and the Joint Administrators' records);
- The stock held by the Company, which was sold uncharged after the Deeds of Release were provided by Regency (who, as explained above, are to be granted new security over these assets by the Purchaser);
- Fixtures and Fittings owned by the Company;
- The Goodwill element of the Company's business and relationships with its suppliers and customers;
- Remaining open Business Contracts between the Company and its suppliers and customers; and
- All Intellectual Property Rights held by the Company, in particular its website and domain name, staff telephone numbers and email addresses, the business name and the customers lists and database.

Finally, pursuant to the SPA, all employees of the Company were transferred to the Purchaser on completion in line with the Transfer of Undertakings (Protection of Employment) Regulations 2006. It is intended that the Purchaser will enter into a new lease for the Premises with the landlord, but as negotiations are on-going in this regard, in the meantime the Purchaser will occupy the premises under a licence from the Company (acting by the Joint Administrators).

## **Sale consideration**

As described above, the Purchaser offered a total of £50,000 for the business and assets of the Company, apportioned as follows:

- The Commercial Records, £1;
- The Stock, £10,000;
- The Fixtures and Fittings; £10,000;
- The Goodwill, £29,997;
- The Business Contracts, £1; and
- The Intellectual Property Rights, £1.

The sale completed on 12 September 2018 and an initial payment of £5,000 was paid on completion. The remaining consideration is to be paid in monthly instalments of £7,500 on the 10<sup>th</sup> of the month, commencing on 10 October 2018 and continuing for 6 months, with the final payment to be made on or before 10 March 2019. As the transaction represents a sale of the business and assets of the Company as a going concern, VAT is not applicable.

The SPA provides that should the business be sold on by the Purchaser within 12 months, the Company will be entitled to further consideration from the Purchaser equal to 50% of the difference between the £50,000 price paid to the Company and any future price that may be achieved by the Purchaser for selling the business on.

## AM03 Notice of Administrator's Proposals



### Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	Evan Jones
Company name	Kingston Smith & Partners LLP
Address	Devonshire House
	60 Goswell Road
Post town	London
County/Region	
Postcode	E C 1 M 7 A D
Country	
DX	
Telephone	020 7566 4020 / 020 7566 4021



### Checklist

**We may return forms completed incorrectly or with information missing.**

**Please make sure you have remembered the following:**

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed and dated the form.



### Important information

**All information on this form will appear on the public record.**



### Where to send

**You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:**

The Registrar of Companies, Companies House,  
Crown Way, Cardiff, Wales, CF14 3UZ.  
DX 33050 Cardiff.



### Further information

For further information please see the guidance notes on the website at [www.gov.uk/companieshouse](http://www.gov.uk/companieshouse) or email [enquiries@companieshouse.gov.uk](mailto:enquiries@companieshouse.gov.uk)

**This form is available in an alternative format. Please visit the forms page on the website at [www.gov.uk/companieshouse](http://www.gov.uk/companieshouse)**